THE CONTRA COSTA COMMUNITY COLLEGE DISTRICT
GENERAL FUND BUDGET

I. OVERVIEW

Effective July 2010 the District adopted the SB 361 allocation model as the basis for its budgeting system. In this essentially decentralized budgeting environment, there is a need for formulae and procedures which clearly outline the method used to fairly and impartially allocate funds to the colleges and the District Office and which fix appropriate levels of responsibility for budget administration with the colleges and the District. The Director of District Finance Services has a key role in managing the District budget. With regards to the external environment, the Director of District Finance Service's role is to scan financial, political, economic, and social horizons and advise the Chancellor, Chief Administrative Services Officer (CASO) and college Presidents of emerging situations with the potential to affect the District's financial condition.

Within the District's internal environment, the function of the Director of District Finance Services is one of support and service. This is consistent with the trend toward maximum decentralization of decision making authority and responsibility to the colleges of this District. This position provides timely and accurate reports to District groups, develops accurate financial projections needed for future decision making, and communicates financial updates in a timely manner to employees at each college. The Chancellor, CASO and/or the Director of District Finance Services meet with the District Governance Council (DGC) acting as the Budget Committee.

Ongoing communications between colleges and the District Office is essential in maintaining a viable budgeting system. Recommendations on resource allocation guidelines and procedures are encouraged from employee groups, and information relative to finance procedures and estimates is reviewed with them. Full and open disclosure is essential to the District's budget process. Although California Community College finance is complicated, real understanding of the facts and inter-relationships involved in budget decisions is necessary for successful implementation of the budget allocation system.

The budgeting process includes both long-range and short-term planning and provides a linkage to the District's program planning and review efforts and accreditation. The District annually reviews budget decisions in terms of the multi-year budget consequences through the use of the Sound Fiscal Management Checklist. Short-term planning is reflected in the annual budget. Fundamental to both long-range and short-range planning is extensive information on all significant phases of operations and costs. The data provide management information to achieve more effective utilization of personnel and financial resources.

Overall, the preparation of the annual budget is a collaborative effort involving all constituency groups at the District. The District is committed to openness throughout the budgeting process and believes greater interaction and input from its stakeholders creates a budget reflective of the District's mission and ensures its students receive the services needed to be successful.

II. GUIDELINES

Education Code and Title V Code of Regulations provides parameters for developing and maintaining the annual budget. Below is a non-inclusive list of guidelines, best practices and controls to adhere to in the budgeting process:

A. The operating expenditure budget is a careful plan which anticipates needs and establishes patterns for disbursements.

B. Personnel needs and allocations are established by the budget. Part-time staff may be employed only within budgeted amounts.

C. Managers responsible for operating units or departments are expected to be especially diligent in improving methods and consolidating tasks whenever terminations occur.

D. Colleges are expected to adhere to the budget as detailed by account number and line items. If the demand for materials and services exceeds the budget, a request for a budget transfer will be initiated by the college and forwarded to the Director of District Finance Services for review and approval. (Use Request for Budget Transfer, available electronically.) All budget transfers will be entered into the financial system by the District Accounting Office.

E. To facilitate control, budget reports will be generated and reviewed by location at least quarterly. These reports are to be reviewed carefully to assure operation within budget totals.

F. Adjustments to effect transfers between major expenditure classifications shall be sent to the Governing Board for approval periodically during the year and at the end of each fiscal year.

III. UNRESTRICTED GENERAL FUND

The unrestricted general fund comprises the vast majority of the revenue and expenditures of the District. The revenue for the unrestricted general fund is mostly from apportionment (state funding, property taxes, and enrollment fees) but also includes revenue from the state lottery, nonresident tuition and student fees. Expenses incurred to the unrestricted general fund include personnel and the supplies, materials, and equipment needed for operations. All funds discussed in this section are accounted for in the District's Unrestricted General Fund (Fund 11) consisting of operating funds located in Subfund 01.

A. BUDGET DEVELOPMENT

Beginning Balance

A fund's current year beginning balance is defined as the ending fund balance from the prior year. The balance for the Unrestricted General Fund is delineated into the following three categories:

1. Board designated reserves, including a 5% General Fund Reserve per Board Policy 5033, 5% Contingency Reserve and Reserve for Encumbrances for all locations, and other funds upon which the Board has, by official action, designated a specific Districtwide or location-specific purpose.
2. College and District Office discretionary reserves, which are unspent allocations from the prior year. The amount is calculated as the location's prior year beginning balance plus prior year actual revenue less prior year actual operating expenditures. These reserves are computed by subfund for each location, with subfund 01 considered the operating portion.
3. Unreserved/undesignated fund balance.

Adjustments to Beginning Balance: Adjustments to the current year's beginning balance may occur throughout the budget cycle as the result of the prior year's closing activities. These may include, but are not limited to: audit adjustments, grant disallowances, bad debt write offs, and accounts receivable and liability liquidations. Any increase or decrease in the beginning balance occurring after budget adoption will be identified by source and the adjustment will be applied to the appropriate reserve category listed above.

Enrollment Projections
The initial step in budget development is the projection of resident and non-resident full time equivalent student (FTES) enrollment. FTES projections are based on an analysis of enrollment history, plans to expand programs, projected state funding, etc. The college Presidents provide information, oversight, and review of this process. Productivity ratios and class size goals are cornerstones to this segment of the budgeting system. The budget calendar and steps are detailed in Business Procedure 18.06.

NOTE: For the District apportionment purposes outlined below, FTES refers to resident FTES only unless otherwise stated.

FTES growth targets will be based on the ratio of base college-funded FTES to total District-funded FTES that each college is charged to maintain. In the event that there is state funding for FTES growth and any college does not reach its growth target, the FTES will be prorated between the remaining colleges based on a revised ratio of funded FTES from the still eligible colleges. If there are to be other considerations for determining FTES growth targets, those will be established by the Chancellor in consultation with the Cabinet.

The colleges' apportionment revenue allocations will be determined by FTES enrollment targets that have been approved by the Chancellor's Cabinet and is the basis for allocation of apportionment revenues to the colleges.

If a college does not meet its FTES target, its allocation will be reduced in accordance with the SB 361 allocation model that allocates revenues as earned on a FTES basis.

In a year with no funded growth, if a college exceeds its FTES enrollment target, it will assume responsibility for absorbing any expense incurred without receiving an additional revenue allocation.

If for any other reason(s) at the end of the fiscal year the District as a whole does not meet its maximum funded FTES base, a Districtwide strategy will be established by the Chancellor in consultation with the Chancellor's Cabinet.

Operating Resource Allocation Process
The computation of projected operating revenue is prepared by the Director of District Finance Services. This is primarily the conversion of projected enrollments to dollar amounts derived from the state (the District's base revenue plus cost of living adjustments, plus growth or less deficit/workload reductions) and estimates of other operating revenue sources based on past experience and/or anticipated changes.

Separate projections are made for restricted funds (which must be used for specific purposes) and the unrestricted or operating fund. Major emphasis of the SB 361 model is on the operating fund (Subfund 01). Revenue projections rely upon many assumptions about the future which guide the estimates of allocable revenue for the District. The possibility of changing economic and political conditions and the necessary tentativeness of the revenue total must be accepted and understood. Projected revenue should not be viewed as an absolute.

Another important function of revenue analysis is to provide a reasonable estimate of the change in revenue for the budget year compared to the current year. From this difference, any new programs or improvements in programs may be funded in addition, of course, to the necessity of funding incremental and inflationary increases in existing programs. If the forecast is for diminished revenue, the task is to identify areas to obtain expenditure reductions.

Allocation of Projected Revenue
The combination of state general fund revenue, local property taxes and enrollment fee revenue make up the majority of District revenue used to fund general operating costs. In addition to the state and local resources detailed below, each college receives a basic allocation based upon college size using state funded rates. Further, revenue from non-resident tuition, unrestricted state lottery and other specific state allocations are subject to distribution through the revenue allocation model.

The District utilizes the SB 361 funding formula to distribute state general apportionment and other FTES-driven revenue to the colleges. Total allocations for college operations are determined using the following six-step process:

STEP 1 Determine Districtwide operating revenues (apportionment, non-resident, lottery and miscellaneous Districtwide revenue).
STEP 2 Deduct costs for contractual and regulatory expenses, committed obligations and other non-college based costs from the revenue in Step 1.
STEP 3 Deduct the allocation for the District Office, computed as 10.534% of the amount remaining after Step 2.
STEP 4 Deduct and distribute the basic allocation as defined by the state to each college as earned (defined below).
STEP 5 Distribute the remaining Districtwide revenue to each college based on a proportionate share of projected FTES (resident and non-resident).
STEP 6 Add other local operating revenues as projected by each location to determine each college's total resource allocation.

Exhibit A to this procedure demonstrates, in summary form, the implementation of this allocation model. The following information details each of the six steps.

STEP 1 – Districtwide Operating Revenues

1. Computation of Apportionment Revenue
   The base revenues for the District shall be the sum of the following allocations:
   a. **Annual Basic Allocation:** The annual basic allocation is prescribed by the state SB 361 funding formula and is based on each college's size (resident FTES). An additional basic allocation is granted for state-approved centers. The annual basic allocation may be adjusted each year by a state-funded cost of living adjustment (COLA).
   b. **FTES Base Revenue:** FTES base revenues for credit, non-credit, non-resident and Career Development and College Preparation (CDCP) non-credit FTES are generally equal to the state-prescribed base rates multiplied by its number of funded FTES from the prior fiscal year in each category. These

allocations may be adjusted each year by the state.

These annual allocation amounts for the current year are provided in the State Chancellor's Office First Principal Apportionment Report, Schedule C, released each February. To project basic allocation revenue for the new budget year during the budget development process, these amounts are adjusted for funding changes anticipated for the new budget year, including any state-funded cost of living adjustment (COLA) or anticipated deficit/workload adjustments.

2. Allocation of Growth/Decline Revenue

Growth: When growth is funded in the final state budget signed by the Governor, growth will be funded prospectively by the District. Subject to District growth cap and other funding limitations, growth dollars will be advanced to the colleges based on the Chancellor's Cabinet approved annual FTES targets. The District Office shall receive 10.534% of growth funds.

Retrospectively, the colleges and the District Office will be funded for **actual growth achieved**, subject to the scenarios outlined below, not to exceed the District funded growth cap:

a. **All three colleges meet or exceed FTES targets:** All colleges will be funded up to target subject to growth funding limitations imposed through the state funding formula (funded growth).

b. **One college meets or exceeds FTES growth target and other two do not:** The two colleges not meeting their targets will be paid for actual growth achieved. The unrealized growth from these two colleges will be distributed to the college exceeding its target up to the college's actual growth not to exceed the District funded growth cap.

c. **Two colleges meet or exceed growth targets and one does not:** The college not meeting its target will be paid for actual growth achieved. The unrealized growth from this college will be distributed on a pro rata basis between the two colleges exceeding their growth targets not to exceed the District funded growth cap. Each college will receive its share of the unrealized growth in the same proportion that their actual growth is to the two colleges' total actual growth. For example, assume that unrealized growth for distribution is 100, College A has actual growth of 400 and College B of 200. College A would receive 67% (400/600) of the distribution and College B would receive 33% (200/600).

In all cases, when District FTES growth is below the state-prescribed growth cap (FTES growth for which the District will be paid), actual growth, if any, will be funded where earned.

Enrollment Decline: If a college experiences enrollment decline below its funded targeted FTES, its budget shall be reduced by its proportionate amount of advanced growth funds in the year of the decline based on the Second Period CCFS 320 Report with final adjustment subsequent to filing of Annual CCFS 320 Report in July or as amended in October following fiscal year end. This reduction shall occur in a recalculation in Step 5. In addition, the state general revenue base for the subsequent year will be adjusted according to the state allocation model if actual FTES falls below the funded base.

The budget for the District Office will include the percentage delineated in Step 3 of projected growth funds and will be adjusted at year-end for actual earned growth on a composite basis.

3. <u>Apportionment Revenue Adjustments</u>
As indicated above, there is a First Period recalculation of apportionment revenue. Any increase or decrease to prior year revenues is treated as an addition or reduction to the colleges' and the District Office's current budget year.

If apportionment revenue is reduced from the prior year base for any of the following reasons: a) prospective revenue reduction anticipated in budget development; b) mid-year deficit resulting from insufficient tax revenues or enrollment fees; or c) as a result of end-of-year adjustment, the amount calculated in Step 1 will be reduced resulting in a proportionate reduction for the colleges and the District Office. Potential mid-year adjustments shall be reviewed by the Chancellor's Cabinet. Any re-shifting of FTES between sites shall be agreed upon by the Chancellor's Cabinet.

4. <u>Strategic Shift of Summer FTES</u>
There may be times where it is in the best financial interest of the District to shift summer FTES between fiscal years. When this occurs, the first goal will be to shift FTES from all three colleges in the same proportions as the total funded FTES for each of the three colleges. If this is not possible, then care needs to be exercised to ensure that any such shift not create a manufactured disadvantage to any of the colleges. If a manufactured disadvantage is apparent, then steps to mitigate this occurrence will be developed by the Chancellor's Cabinet.

Restoring "borrowed" FTES should occur on the same basis as it was drawn down up to the levels of FTES borrowed. If it cannot be restored in that fashion, care should be taken to evaluate if a disadvantage is created for any college.

Borrowing of summer FTES is not a college-level decision, but rather a District-level determination that is made in consultation and concurrence with the Chancellor's Cabinet. It is not a mechanism available to individual colleges to sustain their internal FTES levels. In the event the District borrows summer FTES or goes on stability, any disproportionate advantages or disadvantages resulting from that decision shall be reviewed, and possibly rectified, by the Chancellor's Cabinet.

5. <u>Allocation of Other Step 1 Operating Revenue Sources</u>
This category includes the following:
   a. **Unrestricted Portion of Lottery** – Projected revenue shall be computed using state projections and historical trends. Lottery

funds are earned on resident and non-resident FTES.

b. **Office Hours/Health Insurance for Part-Time Faculty** – Budgeted revenue will be based on state funding projections. All revenue from this category shall be used to pay for expenses related to office hours and health insurance for part-time faculty.

c. **Non-resident Tuition** – Revenue shall be projected based on non-resident FTES targets and established fees.

Additional funding received by the District after the budget is adopted, not directly attributable to an individual college, shall be distributed through the allocation model as delineated in the above revenue parameters.

In the event that actual revenues are less than the amounts projected and allocated to colleges for the fiscal year, the college and the District Office budgets will be recalculated and adjusted accordingly during a year-end "true-up."

STEP 2 – Districtwide Operational Costs

Expenses deducted from computed operational revenue prior to determining college and District Office allocations include those expenditures considered to be contractual, regulatory or committed and of benefit to the entire District. Activities and related costs for these three categories include, but are not limited to the following:

1. <u>Contractual Expenses</u>

   Included in this category are costs related to implementation of various employee contracts and are subject to revision of collective bargaining agreements.

   a. Faculty sabbaticals
   b. United Faculty release time
   c. Faculty Senate release time
   d. Faculty evaluation stipends
   e. Faculty hiring committee stipends
   f. Local 1 release time
   g. Local 1 substitutes
   h. Classified Senate
   i. United Faculty and Local 1 medical co-pay funding
   j. Classified Employee Enhancement Program (CEEP)
   k. Staff development programs
   l. Retiree health benefits

2. <u>Regulatory Expenses</u>

   Included in this category are mandated or unavoidable/fixed costs such as:

   a. Districtwide independent audit
   b. Districtwide insurance programs, e.g. property and liability, student accident
   c. Unemployment insurance experience charges
   d. Election expenses
   e. Redistricting expenses
   f. Districtwide utilities

g. Legal expenses
h. Technology maintenance agreements

3. Committed Obligations
   Included in this category is funding for future events and current initiatives such as:
   a. Other post-employment benefits (OPEB) reserve fund
   b. Self-Insurance Fund
   c. Legal settlements
   d. Chancellor's fund for staff development

Districtwide operational costs are estimated for budget development utilizing the best known information at the time and are adjusted for actual expenditures at the end of the fiscal year during the "true-up."

STEP 3 – District Office Allocation

The allocation for the District Office is established at 10.534% of the Districtwide operational revenue (Step 1) less Districtwide operational costs (Step 2). The allocation funds activities overseen by the District Office such as: District Governing Board, Chancellor, Educational Planning, Administrative Services, Human Resources, Finance, Facilities Planning, Information Technology, Marketing, Internal Auditing, Police Services, International Education and Research. Changes to the District Office percentage shall only be done through the Chancellor's Cabinet.

STEPS 4 and 5 – College Allocation

The remaining Districtwide operating revenues are distributed to the colleges in two steps. The first step is a distribution of the basic allocation by college and college center in an amount as determined by the state.

The second step is a distribution of the remaining balance proportionately based on FTES targets. Allocations will be adjusted at year end based on actual resident and non-resident FTES as described in the various scenarios of Step 1.

STEP 6 – Local Revenue

Local revenue is defined as those revenues earned specifically by location and directly under the control of each college or the District Office, including, but not limited to, the following examples:

1. Apprenticeship program funding – based on attendance reporting and available state funding
2. Two percent of enrollment fees – computed on estimated enrollment fees at each college less Board of Governors (BOG) waivers
3. Part-time faculty compensation – based on negotiated distribution of available state funding for parity pay
4. Student materials fees – based on each college's estimated collection of allowable fees
5. Facility rentals – based on each location's estimate of revenues to be collected from external use of District facilities
6. Other additional local revenues – as determined by location

Expenditure Budgets

1. Colleges

Subsequent to allocation of revenue, each college will develop a balanced budget plan in accordance with the District Budget Calendar and agreed upon Districtwide budget assumptions. The allocations may be stretched to meet as many needs as possible in a process involving participation of faculty and other college staff to ensure (1) the resource requirements for educational and support programs are considered, and (2) priorities are developed.

Expenditures incurred in the following categories shall be the sole responsibility of each respective college:

a. locally funded transfer centers;
b. management sabbaticals;
c. part-time faculty office hours;
d. part-time faculty health insurance benefit;
e. department chair reassigned time;
f. faculty substitutes;
g. intercollegiate athletics staffing; and
h. vacation pay offs.

Each college is independently responsible for developing an expenditure budget that utilizes the level of funding outlined in the revenue sections above. While budgeting decisions are at the discretion of the college, decision-making must be mindful of the following budgetary constraints:

a. allocating resources to achieve the funded level of FTES is a primary objective for all colleges;
b. requirements of the collective bargaining contracts apply to college level decisions;
c. the state-required, full-time Faculty Obligation Number (FON) must be maintained. (Due to funding implications, care must be exercised to maintain equitable full-time/part-time balance at each college. Full-time faculty numbers, ratios and staffing plans will be monitored on a Districtwide basis.);
d. in making expenditure decisions, the impact upon the 50% law calculation must be considered and budgeted appropriately;
e. care should be exercised in maintaining the public investment in the physical plant, facilities and grounds of the campuses consistent with Business Procedure 5.01;
f. in order to promote similar levels of support services at each of the colleges, appropriate levels of classified and management staffing need to be maintained; and
g. legal requirements as found in AB 1725, Education Code and other statutory guidance as appropriate.

2. District Office

Development of annual expenditure budgets for Districtwide operational costs (Step 2) and the District Office (Step 3) are the responsibility of the District Office. Based on projected levels of expenditure for the current fiscal year and taking into account unusual or one-time anomalies, the District Office is responsible for utilizing its allocation to provide centralized services to the colleges that are efficient, cost effective, and responsive to campus needs. Any change to the established percentage allocation for the District Office funding will require approval by the Chancellor's Cabinet.

3. College- and District Office-Proposed Expenditure Budgets
College- and District Office-proposed expenditure budgets are compared to the departmental annual operational plans for consistency and to ensure adequate funding for location priorities. Final submittal is done to the District Office Finance Department where all location budgets are consolidated into a single budget document.

Long Term Plans

The District's budgeting process includes long-range planning and provides linkage to the District's program planning, review efforts and accreditation. Legal requirements such as AB 1725, Education Code and other statutory guidance help shape the budgeting process. Each location is responsible for developing its budget with a multi-year outlook.

1. Colleges
Each of the colleges shall maintain a long-term plan for facilities maintenance/improvement/expansion and new or expanded programs. The Chancellor, in consultation with the Presidents, will evaluate the availability and source of additional funding that may accrue to the colleges beyond what the model provides. Approved projects shall be included in the colleges' balanced budget proposals.

2. District Office
District Office and Districtwide operational costs also may require additional funding to implement new initiatives in support of the colleges and the District. The Chancellor will evaluate requests for such funds on a case-by-case basis. The source of this funding must be identified. Should the source be other than District Office revenue and/or District Office reserves, the requests will also be evaluated by the Chancellor's Cabinet. Approved projects shall be included in the District Office balanced budget proposal.

Reserves and Deficits

In the SB 361 model, the colleges have greater autonomy but also greater responsibility and accountability. Colleges and the District Office will be required to maintain a minimum-level contingency reserve of 1% of its ongoing operating expenditure budget (Subfund 01). This requirement may be waived upon approval of the Chancellor's Cabinet.

In order to maintain a sufficient level of budget reserve, each college and the District Office will be allowed to retain its current year beginning balance within certain limits. The combination of the beginning balance and the current year budgeted revenue represents the total resources available at each location. In using these resources to develop the operating expenditure budget, a minimum of 1% of the ongoing operating expenditure budget must be set aside as a contingency reserve. If unspent by year end, this reserve falls into the year-end balance at each location and is included in the beginning balance for the following year.

Reserves may be accrued up to 5% of college or District Office operating expenditures. Any reserves over 5% at a single location will require a plan or explanation of the need to exceed 5%. Should the ending balance for a location exceed 7% of the subsequent year's budgeted expenditures, the amount in excess of 7% will be divided with 60%

retained by the location and 40% redirected to Districtwide reserves. Suspension of this reserve provision shall only be done at the Chancellor's Cabinet.
Non-operating funds budgeted in subfunds other than Subfund 01 are excluded from this reserve limit due to the nature and purpose of these unrestricted funds.

Deficits are defined as a structural imbalance where revenue is insufficient to cover expenses within a specific fiscal year. In the event a structural deficit exists at a location, the following sequential steps will be implemented:

STEP 1 – College/District Office reserves shall be used to cover any deficit generated by that location.

STEP 2 – If the college/District Office does not have sufficient reserves to cover the deficit, then the college/District Office shall pay back any shortfall within one year; Chancellor's approval may be requested to extend the payback over a period not to exceed three years. To the degree District-level reserves are insufficient to cover this, an across-the-board allocation reduction (Step 2 of resource allocation process) may be necessary.

STEP 3 – There may be circumstances for which a college or the District Office will find itself in a significantly weakened financial position, making full repayment of one or more of the three scheduled payments extremely difficult. The Chancellor, along with the Chief Administrative Services Officer and college Presidents, may consider an application for hardship whereby one or more payments are forgiven. When this occurs, the shortfall would come from Districtwide reserves. The draw down against the Districtwide reserves may require an across-the-board allocation reduction in subsequent years to replenish the Districtwide reserves.

Districtwide reserves represent minimum reserve levels established by the Governing Board per Board Policy 5033, budget guidelines and budget planning parameters.

B. BUDGET CONTROL, ADMINISTRATION, AND REPORTS

Budget Control

Budget control is an instrument for planning because a budget prescribes resources to carry out those plans. This makes it possible to set priorities and maintain control over resources to achieve those priorities. A budget must present current expenditures in balance with projected current-year resources.

The College Business Officer at each location is responsible for accurate projections which are vital to budget control. The Director of District Finance Services is responsible for Districtwide oversight and compliance. During the course of the fiscal year, the Director of District Finance Services must analyze revenue projections. If updated revenue projections are less than budgeted amounts, recommendations must be developed for resolving the imbalance and communicated to each location.

The District's principal source of revenue is based upon enrollment and FTES data. Actual summer school and fall semester FTES estimates (based on student census data) will be available by November 1. At this point, the Chancellor and college Presidents will be advised whether or not actual enrollment varies from that previously estimated.

In mid-January, the above process will be repeated based on First Period Attendance Reports which are due to the state Chancellor's Office by January 15.

Another check point will occur in mid-April when first census week spring semester enrollments are available. State apportionment revenue for the year will not become firm until the Second Period Apportionment notice is received from the state in late June.

Budget Administration
To preclude disruptive mid-year reactions to errors in original projections, minimum reserves of 1% of the operating fund expenditure budget for each location is required Also, pursuant to Board Policy 5033, a reserve or contingency is available to the Board to meet unanticipated needs or emergency situations.

Once the revenue allocation is distributed to a college, that college administers its expenditure budget consistent with the guidelines of this procedure and with a primary focus on reaching its FTES target. The allocation system at the college level fixes the budget responsibility at the organizational unit level (dean, senior dean, administrator, etc.).

Flexibility in making budget transfers within available budget balances is permissible as outlined in Business Procedure 3.22 and Board Policy 5031. Overspending is not permitted. All financial transactions, including certain budget transfers, require Board approval, either by ratification or approval in advance for larger items.

Budget Reports
Account balance reports and detailed expenditure reports are available to all organizational units. Reports are also available at summary levels for use by the college Presidents. In addition, finance system information is readily available on-line for immediate inquiry as to budget account status and expenditure transactions detail.

This system ensures a non-deficit financial operation by establishing a reserve and allocating available money only. Budget balancing and constant monitoring at various levels throughout the year provide proper protection.

IV. RESTRICTED GENERAL FUND

The restricted general fund consists of state categorical programs (see Business Procedure 3.35), parking, and other external funding sources such as private grants. All funds discussed in this section are accounted for in the District's Restricted General Fund (Fund 12).

A. BUDGET DEVELOPMENT AND CONTROL

In addition to the general principles and practices of budgeting outlined above, categorical funds require specialized budget development and control. These funds originate from a variety of state, federal and private sources. They are allocated to the District and/or the colleges with a wide range of specific requirements and restrictions for program operations and budgeting, periods of expenditure, periodic reporting requirements and financial/program auditing. Depending on the source of the allocation or grant, the budget year may coincide with the District's fiscal year, or it may require accounting for revenue and expenditures in a different fiscal year period (e.g. federal grants typically use an October 1 to September 30 fiscal year). In some cases, allocations and grants may extend to multiple years and require special oversight. Because these requirements and restrictions are different for each allocation or grant, budget development for these funds is necessarily done on an individualized basis.

College-Specific Allocations and Grants
In cases in which the funds come to the District as a specific college allocation or grant, that college will receive the funds directly and will assume responsibility for:

1. planning the program and developing a budget that meets the requirements of the grantor;
2. managing the program and associated budget for the lifetime of the allocation or grant;
3. identifying and working with the District Office to resolve any issue that might otherwise result in disallowed or questioned costs;
4. preparing accurate interim and final program and financial reports and submitting them to the grantor in a timely manner, as required; and
5. providing staff services to auditors for program and/or financial audits, as required.

The District Office oversees and monitors the processes described above and assumes responsibility for:

1. reviewing and certifying program plans and associated budgets prior to submission to the grantor for compatibility with District rules of operation; standards for purchasing; policies and practices for the hiring, compensation and evaluation of grant funded positions;
2. ensuring ongoing compliance of all program and budget requirements during the life of the allocation or grant;
3. identifying and working with the college to resolve any issue that might otherwise result in disallowed or questioned costs, and
4. reviewing and certifying interim and final program and financial reports prior to submission to the grantor.

Non-College-Specific Allocations and Grants
When funding is not college specific, allocation to the colleges will be in the same manner as provided to the District by the grantor, unless there are compelling educational reasons to do otherwise. Certain state allocations, such as EOPS, DSP&S, and Matriculation, have restricted expenditure requirements that determine allocations to colleges. Federal, state, or private grants will be allocated and administered per the grant agreement.

In cases in which non-college specific funding is allocated to the colleges for management, the colleges and the District Office assume responsibilities as outlined in Section II.A., College-Specific Allocations and Grants.

When funding remains at the District level, the District Office assumes full responsibility for management of the funds as outlined in Section II.A., College-Specific Allocations and Grants.

V. SUMMARY

The SB 361 allocation model provides the colleges with autonomy and local decision-making ability while maintaining a consistent service level from the District Office. The principles upon which the model was founded are:

1. the model must be perceived as fair;
2. the model must be easily understood;
3. the model must provide proper performance incentives; and
4. the model must work in years of growth and contraction.

The model will be continually assessed in order to adhere to these principles and to provide the necessary adjustments over time.

Sample Internal Resource Allocation Summary

Assumptions:

Step 1	FTES revenues for apportionment, non-resident tuition and unrestricted lottery will be tabulated
Step 2	Costs for contractual and regulatory expenses, committed obligations
Step 3	District Office will be established as a percentage of the remaining total
Step 4	Base apportionment is distributed to colleges as earned
Step 5	The remaining revenues will be proportionately allocated to the colleges based on the model FTES.
Step 6	Other local college revenues, as appropriate, to determine each college's resource allocation

FTES State Funded Rates:	*Credit:*	*$4,564.83*	*Non-Credit:*	*$2,744.96*
FTES Targets, including growth:	**CCC**	**DVC**	**LMC**	**TOTAL**
Credit FTES, Resident	5,600.00	14,850.00	7,600.00	28,050.00
Non-credit FTES, Resident	75.00	10.00	25.00	110.00
Credit FTES Non-resident, International	180.00	1,800.00	50.00	2,030.00
Credit FTES, non-resident, domestic	10.00	30.00	50.00	90.00
TOTAL FTES	**5,865.00**	**16,690.00**	**7,725.00**	**30,280.00**
Percentage of Total	*19.37%*	*55.12%*	*25.51%*	*100.00%*

		CCC	DVC	LMC	TOTAL
Step 1: DW Operational Revenue					
a.	Basic Allocation, Colleges	$ 3,321,545	$ 3,875,136	$ 3,321,545	$ 10,518,226
b.	Basic Allocation, Centers		1,107,182	1,107,182	2,214,364
c.	Basic Allocation COLA, 1%*	33,215	39,858	33,215	116,254
d.	Resident FTES Revenue				128,345,427
e.	State Apportionment COLA, 1%*				1,283,454
f.	Non-resident Tuition				9,945,592
g.	Lottery (total FTES x $110/FTES)				3,330,800
h.	Other State Apportionments				181,000
	Total DW Operational Revenue				$155,935,117
Step 2: Less DW Operational Expenses					
a.	Contractual Expenses				$ -1,400,000
b.	Regulatory Expenses				-17,750,000
c.	Committed Obligations				-1,200,000
	Total DW Operational Expenses				$ -20,350,000
Step 3: Less District Services					
	10.534% of Step 1 less Step 2				$ -14,282,536
Step 4: Distribute Basic Allocations					
	Sum of Step 1, items a-c	3,354,760	5,022,176	4,461,942	$ 12,838,878
Step 5: Distribute Remaining DW Revenue					
	Step 1 less Steps 2, 3 & 4	21,009,419	59,785,193	27,669,091	$108,463,703
Step 6: Local College Revenue					
	As determined by each location	375,000	1,800,000	320,000	$ 2,495,000
Total College Allocations					
	Sum of Steps 4, 5 & 6	**$24,739,179**	**$66,607,369**	**$32,451,033**	**$123,797,581**

*1% is used to demonstrate the effect of a funded apportionment COLA on the computation of the allocations